

CRAYON GROUP HOLDING AS  
**FINANCIAL REPORT**  
**Q1 2015**

## Management commentary – Q1 2015

### Financials

Accumulated revenue YTD March 2015 grew 25% compared to the same period last year, driven by continued positive momentum in core markets and international expansion. Crayon is currently growing approximately five times faster than average market growth of 5%, and continue to gain international market share and hence position itself as a true global player.

Accumulated gross profit as of end March 2015 was MNOK 193.4 compared to MNOK 193.7 for the same period last year (-0.2% YoY growth or MNOK 0.3). Accumulated EBITDA as of end March 2015 was MNOK 8.3 (excluding extraordinary costs of MNOK 4.7), which is MNOK 7.7 below 2014 figures (-48% YoY growth). The company has experienced a growth in extraordinary costs (compared to the same period last year) which is largely related to US entry and expanded scope of M&A activities. The negative EBITDA difference vs last year is primarily explained by 1) Start up new countries which were not part of last year's figures contributing with a negative EBITDA growth of MNOK 6.4 and 2) Relatively weak market within solution orientated consulting which experienced a negative EBITDA growth of MNOK 2.2. Hence, when adjusting for costs related to the company's geographical expansion plan and current weak market for solution consulting, underlying profitability for Q1 2015 was similar to what it was for the same period last year.

The net cash position end March was MNOK 167.2, compared to MNOK 296.9 at the beginning of the year (MNOK -129.5). The negative cash flow in Q1 2015 is largely related to net changes in working capital, in addition to a negative currency translation effect due to stronger NOK in the period against the company's core non-NOK currencies (SEK, DKK and EUR). As of 31 March 2015 the Company is within its bank/RCF covenants.

### Business review

XSP was the fastest growing Business Area (BA) as of YTD March 2015, with a gross profit growth of around 50% YoY, followed by SAM (15% YoY growth, and 23% if excluding Fast business in UK). The consulting business, and in particular solution consulting, has been impacted by a slow start of the year which caused a negative 13% YoY gross profit growth, while licensing experienced a negative YoY growth of 5% which is mainly caused by start up of new countries. The gross margin growth vs. last year for the company's core offering (licensing and SAM) was 2 percentage points better than company average, signifying a strong underlying core business. The company is set for continued growth and continues to attract talent, and has grown by more than 30 professionals since the beginning of the quarter.

From a geographical segment perspective, Finland, UK and Germany were the fastest growing mature countries/established markets YTD (YoY gross profit growth of 37%, 22% and 16%, respectively), followed by Norway, Denmark and Sweden (with respective gross profit growth of -10%, -11%, -17% compared to the same period last year). The negative YTD numbers for Norway and Sweden are mainly driven by a current relatively weak market for the consulting business, while Denmark has gone through an organizational change which has negatively impacted profitability in the short term. All countries, with the exception of Norway, experienced a positive YoY revenue growth in Q1 2015, where Netherlands, France and Middle East were growing at triple digits.

The relatively newly established markets France and Middle East are still experiencing gross margin growth above 80%, signifying continued strong business momentum. Combined gross profit YTD March 2015 for the newly established countries (Netherlands, Austria, India, Singapore, Indonesia, Malaysia, Spain, Iceland, Portugal) relative to the Group total, has grown ~400% (from ~0.5% to ~2%) last six months, showing strong global diversification (but from a small base).

Crayon Group Holding AS  
 Condensed Consolidated Statement of Income

(In thousands of NOK)	Note	Quarter ended		Year to date ended		Year ended	
		31 March,		31 March,		31 December,	
		Un-audited 2015	Un-audited 2014	Un-audited 2015	Un-audited 2014	Audited 2014	Audited 2014
Operating revenue	2,5	960 139	768 902	960 139	768 902	3 731 813	
Materials and supplies		766 717	575 164	766 717	575 164	2 905 529	
<b>Gross profit</b>		<b>193 422</b>	<b>193 738</b>	<b>193 422</b>	<b>193 738</b>	<b>826 284</b>	
Payroll and related cost		150 995	152 944	150 995	152 944	586 340	
Other operating expenses		34 113	24 812	34 113	24 812	98 146	
<b>EBITDA</b>	5	<b>8 313</b>	<b>15 982</b>	<b>8 313</b>	<b>15 982</b>	<b>141 798</b>	
Extraordinary items		4 721	598	4 721	598	3 958	
Depreciation and amortization	6	17 849	16 950	17 849	16 950	70 393	
<b>Operating profit/EBIT</b>		<b>(14 257)</b>	<b>(1 566)</b>	<b>(14 257)</b>	<b>(1 566)</b>	<b>67 446</b>	
Interest expense		16 042	13 570	16 042	13 570	64 628	
Other financial expense, net	7	7 329	3 499	7 329	3 499	(8 353)	
<b>Ordinary result before tax</b>		<b>(22 969)</b>	<b>(11 637)</b>	<b>(22 969)</b>	<b>(11 637)</b>	<b>(5 534)</b>	
Income tax expense on ordinary result		(12 076)	1 410	(12 076)	1 410	4 882	
<b>Net income</b>		<b>(10 893)</b>	<b>(13 047)</b>	<b>(10 893)</b>	<b>(13 047)</b>	<b>(10 416)</b>	
Comprehensive income		(1 054)	(702)	(1 054)	(702)	1 004	
<b>Total comprehensive income</b>		<b>(11 947)</b>	<b>(13 749)</b>	<b>(11 947)</b>	<b>(13 749)</b>	<b>(9 412)</b>	
<b>Allocation of comprehensive income</b>							
Owners of Crayon Group Holding AS		(7 634)	(13 802)	(7 634)	(13 802)	(4 983)	
Minority interest		(4 313)	53	(4 313)	53	(4 429)	
<b>Total comprehensive income allocated</b>		<b>(11 947)</b>	<b>(13 749)</b>	<b>(11 947)</b>	<b>(13 749)</b>	<b>(9 412)</b>	

Crayon Group Holding AS  
Condensed Consolidated Balance Sheet Statement

(In thousands of NOK)	Note	31 March		31 December		
		Un-audited 2015	Audited 2014			
<b>ASSETS</b>						
<i>Current assets:</i>						
Inventory		22 129	18 475			
Accounts receivable		511 881	651 019			
Other receivables		35 230	44 906			
Cash & cash equivalents		167 169	296 938			
<b>Total current assets</b>		<b>736 408</b>	<b>1 011 338</b>			
<i>Non-current assets:</i>						
Technology, software and R&D		35 056	35 749			
Contracts		163 590	178 096			
Software licenses		7 420	7 420			
Goodwill		745 585	745 585			
Property & equipment		25 207	23 106			
Investment in associates		5 305	538			
Other long-term receivables		2 467	2 815			
<b>Total non-current assets</b>		<b>984 630</b>	<b>993 308</b>			
<b>Total assets</b>		<b>1 721 039</b>	<b>2 004 647</b>			
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<i>Current liabilities:</i>						
Accounts payable		441 933	675 440			
Income taxes payable		1 574	5 474			
Public duties		136 884	149 803			
Other current liabilities		138 945	142 920			
<b>Total current liabilities</b>		<b>719 335</b>	<b>973 637</b>			
<i>Long-term liabilities:</i>						
Long-term debt	3.4	660 245	663 243			
Deferred tax liabilities		30 750	43 413			
Other long-term liabilities		1 855	3 552			
<b>Total long-term liabilities</b>		<b>692 850</b>	<b>710 208</b>			
<i>Shareholders' equity:</i>						
Share capital		52 476	52 476			
Own shares		(216)	(216)			
Share premium		262 303	262 303			
<i>Sum paid-in equity</i>		314 563	314 563			
Funds		1 254	8 889			
Minority interest		(6 963)	(2 650)			
<b>Total shareholders' equity</b>		<b>308 853</b>	<b>320 801</b>			
<b>Total liabilities and shareholders' equity</b>		<b>1 721 039</b>	<b>2 004 647</b>			

Crayon Group Holding AS  
Condensed Consolidated Statement of Cash Flows

(In thousands of NOK)	Quarter ended		Year to date ended	
	31 March,		31 March,	
	Un-audited 2015	Un-audited 2014	Un-audited 2015	Un-audited 2014
<b>Cash flows provided by operating activities:</b>				
Ordinary result before tax	(22 969)	(11 637)	(22 969)	(11 637)
Taxes paid	(2 939)	(2 586)	(2 939)	(2 586)
Depreciation and amortisation	17 849	16 950	17 849	16 950
Net interest to credit institutions	11 335	9 822	11 335	9 822
Changes in inventory, accounts receivable/payable	(98 309)	27 683	(98 309)	27 683
Changes in other current assets	(9 869)	(32 028)	(9 869)	(32 028)
<b>Net cash flow from (used in) operating activities</b>	<b>(104 902)</b>	<b>8 204</b>	<b>(104 902)</b>	<b>8 204</b>
<b>Cash flows used in investing activities:</b>				
Acquisition of assets	(5 587)	(3 652)	(5 587)	(3 652)
Acquisition of subsidiaries	(3 624)	(1 651)	(3 624)	(1 651)
Divestments	137	-	137	-
Repurchase of own shares	-	-	-	-
<b>Net cash flow from (used in) investing activities</b>	<b>(9 074)</b>	<b>(5 303)</b>	<b>(9 074)</b>	<b>(5 303)</b>
<b>Cash flow used in financing activities:</b>				
Net interest paid to credit institutions	(9 282)	(5 041)	(9 282)	(5 041)
New equity	-	-	-	-
Change in subsidiaries	-	-	-	-
Proceeds from issuance of interest bearing debt	-	-	-	-
Repayment of interest bearing debt	67	(18 825)	67	(18 825)
Change in other long-term debt	(1 697)	(381)	(1 697)	(381)
<b>Net cash flow from (used in) financing activities</b>	<b>(10 912)</b>	<b>(24 247)</b>	<b>(10 912)</b>	<b>(24 247)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(124 888)</b>	<b>(21 345)</b>	<b>(124 888)</b>	<b>(21 345)</b>
Cash and cash equivalents at beginning of period	296 938	225 335	296 938	225 335
Currency translation	(4 881)	(1 885)	(4 881)	(1 885)
<b>Cash and cash equivalents at end of period</b>	<b>167 169</b>	<b>202 105</b>	<b>167 169</b>	<b>202 105</b>

Crayon Group Holding AS  
Condensed Consolidated Statement of Changes in Shareholders' Equity

*Year to date period ending*

*31 March,*

(In thousands of NOK)

**Balance at January 1, 2014**

	Attributable to equity holders of Crayon Group Holding AS					
	Share capital	Own shares	Share premium	Funds	Minority	Total equity
<b>Balance at January 1, 2014</b>	<b>52 476</b>	<b>(202)</b>	<b>262 378</b>	<b>7 477</b>	<b>4 924</b>	<b>327 053</b>

Net income

- - - (13 100) 53 (13 047)

Currency translation

- - - (702) (702)

Other

- - - (0) (0)

**Balance as of end of period**

<b>52 476</b>	<b>(202)</b>	<b>262 378</b>	<b>(6 325)</b>	<b>4 977</b>	<b>313 304</b>
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(In thousands of NOK)

**Balance at January 1, 2015**

	Attributable to equity holders of Crayon Group Holding AS					
	Share capital	Own shares	Share premium	Funds	Minority	Total equity
<b>Balance at January 1, 2015</b>	<b>52 476</b>	<b>(216)</b>	<b>262 303</b>	<b>8 889</b>	<b>(2 650)</b>	<b>320 801</b>

Net income

- - - (7 040) (3 853) (10 893)

Currency translation

- - - (593) (460) (1 054)

Other

- - - (0) - (0)

**Balance as of end of period**

<b>52 476</b>	<b>(216)</b>	<b>262 303</b>	<b>1 254</b>	<b>(6 963)</b>	<b>308 853</b>
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## Notes to the Condensed Interim Consolidated Financial Statements - Period ended 31 March, 2015

### **Note 1 - General**

The Company is a Norwegian limited liability company and has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") No. 34 "Interim Financial Reporting". The interim financial information has not been subject to audit or review.

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its Consolidated Financial Statements for the year ended 31 December 2014. There are no changes in accounting policy effective from 1 January 2015 that have impact on the Group accounts.

Gross profit means operating income less direct cost, i.e. raw materials and supplies.

EBIT or "operating profit" means Operating Income less Total operating expenses. EBITDA, when used by the Company, means EBIT adjusted for extraordinary items, impairment of non-current assets and depreciation and amortization. EBITDA may not be comparable to other similarly titled measures from other companies. The Company has included EBITDA as a supplemental disclosure because management believes it provides useful information regarding the Company's ability to service debt and to fund capital expenditures, and provides investors with a helpful measure for comparing its operating performance with that of other companies. Extraordinary items is defined as exceptional and non-recurring items in accordance with GAAP.

### **Note 2 - Seasonality**

As with all licensing service providers, Crayon is heavily dependent upon successful sales during the final quarter of the year. Activity normally declines again at the beginning of the new year, before normally increasing again in the second quarter. However, usually the fourth quarter outweighs the second quarter, resulting in lower revenue for the first half year and increased revenue for the second half year.

### **Note 3 - Issue of new Bond**

Crayon Group Holding AS issued in July 2014 a NOK 650 million Bond Issue (initial loan amount) with a potential tap issue of up to NOK 350m, with maturity in July 2017. The bond is to be repaid in full at the maturity date. Interest is set quarterly at NIBOR + 500bps. The proceeds from the initial loan amount was used for refinancing and for general corporate purposes. The proceeds from any tap issue shall be used for Permitted Acquisitions and for general corporate purposes of the Group. The outstanding bond principal (NOK) has been hedged against the relevant currencies comprising underlying cash flow of the company, and is booked as the actual value representing future liabilities based on the exchange rates at the balance sheet date. The bond is listed on the Oslo Stock Exchange. For further information about the Bond we refer to the Bond agreement.

### **Note 4 - Net interest-bearing debt**

Net interest-bearing debt means interest bearing debt less cash. Net interest-bearing debt is not adjusted for normalized working capital.

(In thousands of NOK)	As of 31 March,	
	2015	2014
Long-term debt	660 245	605 123
Cash and cash equivalents	167 169	202 105
Net interest bearing debt	<b>493 076</b>	<b>403 018</b>

### **Note 5 - Segment information**

"Other" includes Corporate administration costs and unallocated Global Shared Cost. For segment reporting by operating segment, "Other" also includes intercompany transactions. Depreciation and amortization, Interest expense, Other financial expense (net), income tax expense and Other comprehensive income are not included in the measure of segment performance.

Licensing is Crayon's license offering from its partners (e.g. Microsoft, Adobe, Symantec, Citrix, VMware, Oracle, IBM and others). The emphasis is towards standard software which customers use consistently year after year, and which play a key role in their technological platforms and critical commercial processes. XSP is Crayon's service offering towards hosters which include license advisory/optimization, software license sale and access to Crayon's reporting portal. Software Asset Management (SAM) services include process & tools for enabling clients to build in-house SAM capabilities, license spend optimization and support for clients in vendor audits.

Consulting services is related to deployment and application services. Crayon offers IT infrastructure services (planning and analysis support related to larger IT upgrade projects) and tailored software or application development.

**Note 5 - Segment information cont.**

Established markets is defined as markets where the Company has been operating for more than 24 months, while New markets is defined as markets where the Company has been operating for 24 months or less.

**Gross profit by operating segment and country classification:**

(In thousands of NOK)	Year to date ended	
	31 March, 2015	2014
<b>Gross profit by operating segment:</b>		
- Licensing	61 871	64 971
- XSP	19 844	12 963
- SAM	36 153	31 408
- Consulting	74 283	84 921
<b>Gross profit from operations</b>	<b>192 152</b>	<b>194 263</b>
- Other	1 270	(525)
<b>Total gross profit</b>	<b>193 422</b>	<b>193 738</b>
 <b>Gross profit by country classification:</b>		
- Established markets	187 829	193 585
- New markets	5 592	153
<b>Gross profit from operations</b>	<b>193 422</b>	<b>193 738</b>
- Other	(0)	0
<b>Total gross profit</b>	<b>193 422</b>	<b>193 738</b>

**EBITDA by operating segment and country classification:**

(In thousands of NOK)	Year to date ended	
	31 March, 2015	2014
<b>EBITDA by operating segment:</b>		
- Licensing	14 375	9 349
- XSP	12 184	5 902
- SAM	(1 370)	5 429
- Consulting	7 670	5 066
<b>EBITDA from operations</b>	<b>32 859</b>	<b>25 745</b>
- Other	(24 545)	(9 763)
<b>Total EBITDA</b>	<b>8 313</b>	<b>15 982</b>
 <b>EBITDA by country classification:</b>		
- Established markets	18 214	25 057
- New markets	(7 073)	(1 208)
<b>EBITDA from operations</b>	<b>11 141</b>	<b>23 849</b>
- Other	(2 828)	(7 867)
<b>Total EBITDA</b>	<b>8 313</b>	<b>15 982</b>

**Note 6 -Depreciation and amortization**

Depreciation and amortization consists of the following:

(In thousands of NOK)	Year to date ended 31 March,		Quarter ended 31 March,		Year ended 31 December, 2014
	2015	2014	2015	2014	
Depreciation	4 766	3 867	4 766	3 867	18 061
Amortization of goodwill	13 083	13 083	13 083	13 083	52 332
<b>Total</b>	<b>17 849</b>	<b>16 950</b>	<b>17 849</b>	<b>16 950</b>	<b>70 393</b>

**Note 7 - Other financial expense, net**

Other financial expense, net consists of the following:

(In thousands of NOK)	Year to date ended 31 March,		Quarter ended 31 March,		Year ended 31 December, 2014
	2015	2014	2015	2014	
Interest income	4 707	3 748	4 707	3 748	22 374
Other financial income	24 495	11 820	24 495	11 820	56 892
Other financial expenses	21 872	12 070	21 872	12 070	87 619
<b>Total</b>	<b>7 329</b>	<b>3 499</b>	<b>7 329</b>	<b>3 499</b>	<b>(8 353)</b>

\*\*\*END OF REPORT\*\*\*